



**International Chamber of Commerce**

*The world business organization*

## **Policy statement**

### **The reduction of patent costs**

Commission on Intellectual and Industrial Property, 30 January 1997

The International Chamber of Commerce has always regarded the provision of a strong world-wide cost-effective patent system as being an essential requirement for the world business community. Most technology-based companies belonging to the ICC believe, however, the cost of obtaining patents is far too high with much unnecessary and expensive multiplication of examining work being performed by patent offices around the world. The cost of litigating patents is also much too high; even if the cost of obtaining patents were reduced significantly, such companies would still be unhappy with the patent system because in many countries enforcing patents is too expensive and exposes the parties to considerable aggravation; in some countries, patents cannot in practice be enforced at all. The ICC therefore joins with other international organisations interested in intellectual property (such as the American Intellectual Property Law Association (AIPLA), the Pacific Intellectual Property Association (PIPA) and UNICE, the European employers' Federation) in encouraging national governments to take measures now to reduce the costs of obtaining and litigating patents.

Any cost reduction measures proposed by these organisations must be constitutionally and politically acceptable to national governments particularly if parliamentary approval is required to implement them. Measures will only be politically acceptable if they achieve a fair balance between the patentee being able to obtain and enforce patents world-wide on new technology cheaply, quickly and without aggravation and a third party being able to determine also cheaply, quickly and without aggravation whether it is free to work its own technology.

The ICC suggests the following possible measures to reduce world-wide patent obtaining costs:

#### **1. Harmonisation and Co-operation**

If the patent law and practice in all countries (particularly in Japan, the US and the EU countries) were harmonised, increased co-operation between patent offices would be achievable thus reducing costs. The present costly multiplication of searching and examining effort between the Japanese Patent Office, the US Patent and Trademark Office (USPTO) and the European Patent Office (EPO) could be avoided if patents were granted on the same legal basis in each Patent Office which they are certainly not at present. For example, the US still of course operates the "first to invent" system while the others have "first to file", and the definitions of what constitutes prior art also differ as do the criteria for determining obviousness. Harmonisation of patent laws is clearly desirable and so the ICC especially welcomed the Uruguay Round's TRIPS Agreement which sets out minimum standards for substantive patent law (among other things) and did harmonise patent laws to some extent.

Even more harmonisation would be achieved if the World Intellectual Property Organisation (WIPO) could conclude the Patent Law Treaty (PLT). The ICC has always supported this WIPO initiative and regrets that the US government's difficulties with certain substantive law aspects of this Treaty has led to it being "put on ice"; the US is urged to return to the negotiations on this Treaty as soon as the undoubted political difficulties with the move to "first to file" have been overcome. The "first to invent" system for granting patents is more expensive than "first to file" as anyone who has been involved in a hard fought US interference will know; the cost of such interferences increases the cost of obtaining US Patents in albeit a minority of cases. Further, the cost of litigating US Patents issued under the "first to invent" system is higher than it would be under the "first to file" system. It is acknowledged that the US may only change to the "first to file" system if other countries are prepared to change their own

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patent laws to make them more attractive to US inventors. In the meantime, the ICC welcomes the continuing US participation in the "new" Patent Law Treaty dealing with patent formality requirements.

## **2. Regional Patenting Arrangements**

Such arrangements help reduce the cost of patenting in several countries in the same region. The more countries that join these regional arrangements the better as industry's costs will then be reduced.

The now well-established European Patent Convention (EPC) and the Patent Cooperation Treaty (PCT) have certainly helped to reduce patenting costs or at least postpone their payment until later in the life of the invention.

The ICC welcomes the recent coming into force of the Eurasian Patent Convention and hopes the Association of South-East Asian Nations (ASEAN) group of countries can establish a system similar to the European Patent Convention. The European Union's Community Patent Convention (CPC) could have been attractive to industry if the translation, renewal fee and enforcement regimes were more acceptable. The recent renewal of interest in this subject by the Commission is welcomed; however, solving the language problem in the CPC or in a fresh EU initiative in this area will be difficult.

## **3. Patent Registration**

There is no need for each and every country around the world to operate a wholly independent patent system. For many years, a large number of countries granted patents by mere registration with minimum formality and cost of UK national Patents and European Patents (UK), which are after all granted only after fairly rigorous search and examination. The ICC welcomes the trend for certain countries (such as Slovenia) to accept the examination results from the EPO and grant patents in such countries by registration of the European Patent. Widening of these registration arrangements is encouraged and countries instituting such arrangements should adopt simple formal proceedings; too complex procedures can negate at least some of the cost savings provided by a registration system.

## **4. Translation Costs**

The people of the world of course speak hundreds of different languages, and millions of even educated people can read only one language. Quite understandably, any country devising a patent system required that a patent granted there should be in its official language. Many will argue that local people in the country must surely be able to understand a document preventing them from doing something which would be perfectly legal without the patent. Language is culturally important in many countries and any legislation limiting the use of a national language is nearly always politically charged; it is also said that, under the constitutions of some countries, a document only has legal effect in the country if it is in its official language.

On the other hand, a large proportion of a company's patenting budget is spent on translating documents into a myriad of local languages and naturally the company wants this reduced. However, ideally cost reduction should not result in patents coming into force in a country in a language the local scientists and engineers cannot understand. Translation costs will one day be reduced through the introduction of machines able to translate accurately at a fraction of the cost of human translators. In the meantime, such costs will dominate a company's patenting budget; one large British company has estimated that two thirds of its disbursements in obtaining patents are attributable to translation costs.

What can be done to reduce translation costs? Abolishing the requirement to translate a patent into a local language will be strongly resisted in many countries for the fundamental reason already mentioned. This issue has been particularly controversial in Europe. Proposals have been made to relax the translation regime on validating European Patents on grant by adopting schemes like the so-called European Patent Office package solution [i.e. filing translations into an official language of each designated country of (a) a better quality abridgement on publication of the European Application, (b) the claims on grant and (c) the rest of the specification only if the patentee wishes to enforce the Patent in a particular country]. The ICC fears it will be difficult politically to achieve an early universal relaxation of this translation regime, and the translation burden will inevitably increase over the next few years as each new member of the European Patent Convention will bring with it a new language. However, the ICC does support the adoption of the EPO package solution, if necessary by its adoption by only those European Patent Convention member countries prepared to do so.

## **5. Official Fees**

The fees in many patent offices for obtaining patents and then renewing them have increased substantially in recent years as governments require them to obtain more of their income from users than the tax payer. In some countries, these fees are so high that the patent office generates a large surplus which is then used by the government for other purposes. The fees charged by the Austrian, Danish and Swedish Patent Offices, for example, on validation of European Patents are unjustifiably high as are the renewal fees in many countries eg. Germany, Japan and the Netherlands. To encourage innovation and patenting, official patent obtaining and renewal fees should not be a tax on such activities so they should be reduced to the level necessary to maintain the patent office.

The European Patent Office has been generating surpluses which will, unless something is done, increase for some years as renewal fee income increases. EPO fees can and should be reduced now to limit this ongoing surplus. In addition, the EPO should concentrate on its task of granting European Patents [as required by European Patent Convention Article 4(3)] in as efficient cost-effective manner as possible, leaving to WIPO, the European Commission and national governments the work of helping non-European Union countries to improve their patent systems and of encouraging innovation and patenting in the EU. The ICC warmly welcomes the recent decision taken by the EPO's Administrative Council to reduce the "up front" fees for filing European Applications thus reducing EPO income by over DM100M per annum from 1998. The ICC also supports the Council's present position not to change the distribution key (i.e. the proportion of European Patent renewal fees returned to the EPO by national patent offices) in favour of national patent offices.

## **6. Representation before Patent Offices**

While there are no doubt some cases of overcharging by patent attorneys practising before patent offices, there is so much competition between patent attorneys, particularly in Europe, Japan and the US, that anyone overcharging will soon find his or her clients going to another attorney.

However, there are areas where the cost to industry of obtaining patents could be reduced by changes in the legal requirements in some countries on who can represent a client before a patent office in the more routine procedures. While there are procedures, such as the drafting of patent specifications and the prosecution of patent applications before patent offices, certainly requiring the knowledge and skill of a professionally qualified patent attorney, there are other procedures which do not require the help of such persons; further, a patent attorney qualified in one country could perfectly satisfactorily perform such procedures in the patent office of another country and should be allowed to do so. Introducing such changes would reduce the overall cost to industry. These procedures include the

actual filing of patent applications, validating European Patents on entry into the national phase in the case of the EPO system, and payment of renewal and other fees.

The ICC therefore welcomes and supports the recent adoption by UNICE, the European employers' federation, of very relevant proposals made by the Trade Marks Patents and Designs Federation of the UK. These proposals include the harmonisation of procedures and forms for obtaining patents in the European Patent Convention member countries and, as far as European Patents are concerned, an address for service in a single such country should be sufficient as should a single representative to act before all the national patent offices on validation of European Patents. This would, for example, mean that on validation of a European Patent the patentee could obtain the necessary translation from any source and then file it directly in the national patent office concerned; of course, companies may decide against doing this and instead continue to rely on a local representative in each country.

One final comment on reduction of patent obtaining costs. If these costs were substantially reduced, more patents could well be requested leaving third parties with increased costs in assessing the validity and infringement positions on more patents than at present. Patent offices must therefore maintain current, or even stiffen, patentability criteria, to prevent a plethora of patents of doubtful validity being granted.

The substantive law and procedures for litigating patents vary widely from countries where the patentee is clearly favoured to those where the defendant has the high ground particularly where the patentee is a foreign multi-national company satisfying the market by importation and the defendant is a locally based manufacturer. Implementation of the TRIPS Agreement's provisions on enforcement should produce improved and fairer enforcement procedures. The courts in some countries are slow in deciding patent infringement cases while the court procedures in other countries are very costly to the parties and involve them in much unnecessary aggravation.

## **7. Patent Litigation**

The cost of patent litigation varies widely from country to country ranging from say DM 65K (for a plaintiff in a high value case with the defendant's cost at the lower level of DM 38K) in Germany through say £0.3M for each party in the UK to at least US\$1M in the US, the most expensive country by far for patent litigation. The cost of enforcing a US patent in an infringement action, and defending against such an action, can literally cost each party many millions of dollars. The lack of a truly inter partes opposition procedure in the USPTO means a third party can only challenge the validity of a competitor's US Patent by starting a costly declaratory judgment action in the court and then only if the court agrees a justiciable controversy exists. The ICC supported the bill before the last US Congress seeking inter alia to permit increased participation in USPTO re-examination procedures by third party applicants for re-examination of competitor patents; the ICC welcomes the re-introduction of this bill into the new Congress.

The cost of patent litigation in some of the EU countries is also too high; however, at least attempts are being made in the most expensive, the UK, to reduce these costs by reducing the amount of discovery, forcing the parties to reveal their full case at an early stage (thus increasing the chances of a settlement) and reducing the length of the trial by committing more of the evidence to written form. However, there is still scope for further reductions of the amount of discovery which in many cases does not result in better justice.

In contrast to the UK, the US is apparently making little progress in this field. The ICC therefore urges the US to consider action in the following three areas:

#### **a) Discovery**

The main problem with US patent litigation is the discovery system whereby the parties must reveal to the other side all their in house documents which relate to the issues involved in the litigation and then those mentioned in these documents can and are asked to submit to often lengthy depositions about their recollection of events in the distant past. Many Federal District Court judges seem reluctant to limit this discovery of documents and people, so regularly the two sides exchange literally millions of sheets of paper and a large number of people then give depositions. This is a very labour intensive operation so naturally costs a great deal of money (discovery costs to each party of over US\$1M are common) in disbursements and even more if the lost business and research opportunities for in house personnel are taken into account. Occasionally discovery does result in better justice but in most cases it is all a complete waste of money. The ICC would like to see a co-ordinated attempt in the US to stream-line the discovery system and thus reduce its cost.

#### **b) Jury Trials**

Most patent infringement actions in the US Federal District Courts are nowadays heard by juries. At the court of first instance level, the cost to the parties of a jury trial is probably not much different from a bench trial. However, studies have shown that juries tend to be pro-patentee on both infringement and validity, and they often give no reasons for their findings. This can leave a losing defendant feeling bereft of justice resulting in an appeal to the Court of Appeals for the Federal Circuit which might not have been taken following a bench trial. More appeals may well be taken on jury decisions than on bench decisions thus increasing the costs to the parties. The ICC is aware that the parties in most civil cases in the US have a constitutional right to a jury trial; one cannot realistically expect the US to change its constitution to remove this possibility just in patent cases. However, the ICC does welcome the start made by the Supreme Court in the Markman case in reducing the number of issues for decision by a jury; perhaps, if this trend continues, fewer patentees will ask for jury trials in the future.

#### **c) Bifurcation of Liability and Damages**

In most countries, the courts deal with damages in a separate enquiry and then only if infringement of a valid claim has been found; this obviously reduces the costs for the parties in those cases where the defendant wins. In contrast, the US courts regularly deal with liability and damages at the same trial and the request by the defendant to bifurcate these issues is often refused (particularly for jury trials) thus perhaps doubling the costs.

### **Conclusion**

Reducing the cost of patent obtaining and patent litigation involves political issues which will not be easy to resolve. The ICC therefore proposes that initiatives to reduce the costs of obtaining and litigating patents should concentrate on measures which are politically possible. These are, as discussed above:

- Promoting harmonisation of patent laws and procedures and cooperation between patent offices;
- Encouraging regional patenting arrangements;
- Simplifying patent registration procedures and widening arrangements for some countries to recognise searches and examinations conducted in other countries;
- Reducing translation costs, especially in the European Patent Convention member countries;
- Reducing official fees for obtaining and maintaining patents to levels necessary to sustain the patent office;
- Reducing obligations for local representation where this is unnecessary;
- Reducing litigation costs, especially in the US.

**Document n° 450/836**

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**Attachments:**

- [Document n° 450/855 Rev.](#)
- [Document n° 450/926 Rev.](#)